



**MAKE-A-WISH FOUNDATION[®] OF ALASKA, MONTANA,
NORTHERN IDAHO AND WASHINGTON**

Financial Statements

August 31, 2009

(With Independent Auditors' Report Thereon)

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
NORTHERN IDAHO AND WASHINGTON**

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KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Directors
Make-A-Wish Foundation[®] of Alaska, Montana,
Northern Idaho and Washington:

We have audited the accompanying statement of financial position of Make-A-Wish Foundation[®] of Alaska, Montana, Northern Idaho and Washington (the Foundation) as of August 31, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Make-A-Wish Foundation[®] of Alaska, Montana, Northern Idaho and Washington as of August 31, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As described in note 3 to the financial statements of the Foundation, net assets as of August 31, 2008 have been restated to correct a misstatement from the Foundation's previously issued financial statements, which were audited by other auditors.

As discussed in notes 2 and 4 to the financial statements, the Foundation adopted the provisions of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of September 1, 2008 for fair value measurements of all financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis.

KPMG LLP

March 3, 2010

**MAKE-A-WISH FOUNDATION[®] OF ALASKA, MONTANA,
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Statement of Financial Position

August 31, 2009

Assets

Cash and cash equivalents	\$ 616,636
Investments	2,618,998
Contributions receivable, net	818,042
Due from related entities	60,107
Prepaid expenses	7,177
Property and equipment, net	71,787
Endowment investments	36,648
Other assets	40,176
	<hr/>
Total assets	\$ 4,269,571

Liabilities and Net Assets

Accounts payable and accrued expenses	\$ 146,758
Accrued pending wish costs	1,290,265
Due to related entities	6,894
Capital lease obligations	35,652
Other liabilities	15,256
	<hr/>
Total liabilities	1,494,825
	<hr/>
Commitments and contingencies	
Net assets:	
Unrestricted	1,892,258
Temporarily restricted	845,840
Permanently restricted	36,648
	<hr/>
Total net assets	2,774,746
	<hr/>
Total liabilities and net assets	\$ 4,269,571

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
NORTHERN IDAHO AND WASHINGTON**

Statement of Activities

Year ended August 31, 2009

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues, gains, and other support:				
Public support:				
Contributions	\$ 2,002,676	134,583	—	2,137,259
In-kind contributions	1,089,062	664,733	—	1,753,795
Grants	191,450	—	—	191,450
Total public support	<u>3,283,188</u>	<u>799,316</u>	<u>—</u>	<u>4,082,504</u>
Special events	1,812,945	35,524	—	1,848,469
Less direct benefit costs to donor	<u>(690,674)</u>	<u>—</u>	<u>—</u>	<u>(690,674)</u>
Special events, net	1,122,271	35,524	—	1,157,795
Investment loss, net	(16,316)	—	—	(16,316)
Other income	11,975	—	—	11,975
Net assets released from restrictions	<u>1,666,400</u>	<u>(1,666,400)</u>	<u>—</u>	<u>—</u>
Total revenues, gains, and other support	<u>6,067,518</u>	<u>(831,560)</u>	<u>—</u>	<u>5,235,958</u>
Expenses:				
Program services:				
Wish granting	3,020,103	—	—	3,020,103
Program-related support	657,835	—	—	657,835
Training and development	155,851	—	—	155,851
Public information	<u>245,773</u>	<u>—</u>	<u>—</u>	<u>245,773</u>
Total program services	<u>4,079,562</u>	<u>—</u>	<u>—</u>	<u>4,079,562</u>
Support services:				
Fund-raising	994,975	—	—	994,975
Management and general	<u>404,772</u>	<u>—</u>	<u>—</u>	<u>404,772</u>
Total support services	<u>1,399,747</u>	<u>—</u>	<u>—</u>	<u>1,399,747</u>
Total program and support services expenses	<u>5,479,309</u>	<u>—</u>	<u>—</u>	<u>5,479,309</u>
Change in net assets	588,209	(831,560)	—	(243,351)
Net assets, beginning of the year, as restated (note 3)	<u>1,304,049</u>	<u>1,677,400</u>	<u>36,648</u>	<u>3,018,097</u>
Net assets, end of the year	<u>\$ 1,892,258</u>	<u>845,840</u>	<u>36,648</u>	<u>2,774,746</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
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Statement of Cash Flows

Year ended August 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ (243,351)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	34,947
Bad debt expense	24,595
Net realized and unrealized losses on investments	103,530
Changes in assets and liabilities:	
Contributions receivable	713,949
Due from related entities	40,215
Prepaid expenses	(1,587)
Other assets	71,177
Accounts payable and accrued expenses	25,289
Accrued pending wish costs	306,839
Other liabilities	(54,985)
	<hr/>
Net cash provided by operating activities	1,020,618
	<hr/>
Cash flows from investing activities:	
Purchases of investments	(2,176,760)
Proceeds from sales of investments	1,555,879
Purchases of property and equipment	(18,844)
	<hr/>
Net cash used in investing activities	(639,725)
	<hr/>
Cash flows from financing activity:	
Principal payments on capital lease obligations	(12,180)
	<hr/>
Net cash used in financing activity	(12,180)
	<hr/>
Net increase in cash and cash equivalents	368,713
Cash and cash equivalents, beginning of year	247,923
	<hr/>
Cash and cash equivalents, end of year	\$ 616,636
	<hr/> <hr/>
Supplemental cash flow information:	
In-kind contributions	\$ 2,243,926
Donation of property, plant, and equipment	26,978
Cash paid for interest	796
Acquisition of equipment with capital lease	47,832

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
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Statement of Functional Expenses

Year ended August 31, 2009

	Program-related services				Support services			
	Wish granting	Program-related support	Training and development	Public information	Total	Fund-raising	Management and general	Total
Direct costs of wishes	\$ 2,826,426	—	—	—	2,826,426	—	—	—
Salaries, taxes, and benefits	193,677	309,808	108,902	89,557	701,944	490,967	277,505	768,472
Printing, subscriptions, and publications	—	—	—	104,288	104,288	89,486	—	89,486
Professional fees	—	19,528	3,597	2,570	25,695	71,598	23,336	94,934
Rent and utilities	—	64,241	15,116	8,125	87,482	50,372	30,873	81,245
Postage and delivery	—	4,777	1,393	—	6,170	12,342	1,393	13,735
Travel	—	13,529	675	1,125	15,329	6,597	1,491	8,088
Meetings and conferences	—	16,926	729	920	18,575	5,466	1,767	7,233
Office supplies	—	9,193	1,443	1,306	11,942	51,075	3,769	54,844
Telephone	—	14,209	2,617	1,870	18,696	11,592	7,105	18,697
Media and advertising:								
Cash	—	113	—	10,853	10,966	226	113	339
In-kind	—	—	—	—	—	125,000	—	125,000
Repairs and maintenance	—	6,763	1,246	890	8,899	5,517	3,382	8,899
Bad debt expense	—	—	—	—	—	—	24,595	24,595
Membership dues	—	305	—	—	305	3,596	2,194	5,790
Volunteer training	—	1,065	1,597	—	2,662	—	—	—
National partnership dues	—	158,406	—	—	158,406	33,793	19,009	52,802
Miscellaneous	—	25,692	16,090	22,522	64,304	26,515	1,599	28,114
Depreciation and amortization	—	13,280	2,446	1,747	17,473	10,833	6,641	17,474
	\$ <u>3,020,103</u>	<u>657,835</u>	<u>155,851</u>	<u>245,773</u>	<u>4,079,562</u>	<u>994,975</u>	<u>404,772</u>	<u>1,399,747</u>

See accompanying notes to financial statements.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
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Notes to Financial Statements

August 31, 2009

(1) Organization

Make-A-Wish Foundation® of Alaska, Montana, Northern Idaho and Washington (the Foundation) is a Washington not-for-profit corporation, organized for the purpose of granting wishes to children with life-threatening medical conditions. The Foundation is an independently operating chapter of Make-A-Wish Foundation of America (National Organization), which operates to develop and implement national programs in public relations and fund-raising for the benefit of all local chapters. In addition, the local chapter is obligated to comply with a chapter agreement with the National Organization and such guidelines, resolutions, and policies as may be adopted by the National Organization's board of directors.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Foundation are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

(b) Fair Value Measurements

On September 1, 2008, the Foundation adopted the provisions of Financial Accounting Standards Board (FASB) Statement No. 157 (SFAS No. 157), *Fair Value Measurements*, for fair value measurements of financial assets and liabilities that are recognized at fair value in the financial statements on a recurring basis. SFAS No. 157 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

(c) Cash and Cash Equivalents

The Foundation considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

(d) Investments

Investments are recorded at fair value and consist of money market funds, mutual funds, and certificates of deposit. Investment income, including gains and losses on investments, is recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions or law.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
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Notes to Financial Statements

August 31, 2009

(e) ***Contributions Receivable***

Contributions receivable are unconditional promises to give. Such promises that are expected to be collected within one year are recorded at expected net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. Risk-free rates are used to discount pledges received prior to September 1, 2008. For pledges received beginning September 1, 2008, pledges are discounted using fair value rates.

(f) ***Property and Equipment, Net***

Property and equipment having a unit cost greater than \$500 and a useful life of more than one year are stated at cost when purchased. Donated assets are capitalized at the estimated fair value at the date of receipt, and restrictions are released once the asset has been placed into service. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the time of acquisition. Depreciation on property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, generally 3 to 7 years. Leasehold improvements are amortized over the shorter of the estimated useful life of the asset or the remaining terms of the leases. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred.

Long-lived assets, such as property, plant, and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Foundation first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying value. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values, and third-party independent appraisals, as considered necessary.

(g) ***Net Assets***

The Foundation's net assets and changes therein are classified and reported as follows:

- **Permanently restricted net assets** – Net assets subject to donor-imposed restrictions that the principal be maintained in perpetuity. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for unrestricted purposes.
- **Temporarily restricted net assets** – Net assets subject to donor-imposed restrictions that may be met by either actions of the Foundation or the passage of time.
- **Unrestricted net assets** – Net assets that are not subject to donor-imposed restrictions.

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Notes to Financial Statements

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(h) Revenue Recognition

Unconditional promises to give are recorded as contributions revenue when the promise is received. Conditional promises are recorded as revenue once the conditions are substantially met. Contributions, grants, and bequests are recognized as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are met in the same period as the contribution is received, the Foundation records the contribution and the expense as unrestricted. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Foundation received service and material donations, which are included in the accompanying statement of activities as in-kind contributions at fair value of \$1,753,795 and special events revenue at fair value of \$490,131, and included in program or supporting services expenses, for a total of \$2,243,926 in 2009, which consisted of the following:

Legal fees	\$ 5,324
Media and advertising	125,000
Auction items	421,124
Direct wish expense	1,511,817
Other miscellaneous	<u>180,661</u>
Total	\$ <u><u>2,243,926</u></u>

Media and advertising are expenses that help the Foundation communicate its message or mission and include fund-raising materials, informational material, or advertising, and may be in the form of an audio or video tape of a public service announcement, a layout for a newspaper, media time or space for public service announcements, or other purposes. Advertising and media are reported as in-kind contributions when received and the reporting of such contributions is unaffected by whether the Foundation could afford to purchase or would have purchased the assets at their fair value. In-kind advertising and media expenses have been included in the function that they benefited in 2009.

(i) Income Taxes

The Foundation is a not-for-profit organization exempt from federal income taxes under the provisions of Internal Revenue Code Section 501(c)(3). The State of Washington does not have a corporate income tax. However, the Foundation remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements taken as a whole.

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In June 2006, the FASB issued Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109*. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, which permits an additional one-year deferral of the effective date of FIN 48 for most nonpublic entities. FSP FIN 48-3 defers the effective date of FIN 48 for entities within its scope to annual financial statements for fiscal years beginning after December 15, 2008. A nonpublic entity that takes advantage of the deferral in FSP FIN 48-3 must explicitly disclose that fact, as well as its accounting policy for evaluating uncertain tax positions, in each set of financial statements affected by the deferral. During the deferral period, FASB intends to issue a separate FSP to explain how not-for-profit organizations should apply the provisions of FIN 48. It also plans to amend FIN 48's disclosure provisions for nonpublic entities. The Foundation has adopted the deferral and disclosure provisions of FSP FIN 48-3 for its August 31, 2009 financial statements and will adopt the provisions of FIN 48 for the year ended August 31, 2010.

(j) Functional Expenses

The Foundation performs six functions: wish granting, program-related support, training and development, public information, fund-raising, and management and general. Definitions of these functions are as follows:

Wish Granting

Activities performed by the Foundation that grant wishes to children with life-threatening medical conditions.

Program-Related Support

Activities performed by the Foundation related to the wish program including the identification of wish candidates and the determination and delivery of each wish. Specific activities include, but are not limited to, the development of wish resources, handling of wish referrals, providing wish assistance for financially challenged chapters, out-of-territory wish placement, and administration of the wish program.

Training and Development

Activities performed by the Foundation consisting of national conference workshops and e-learning classes prepared and conducted by the Foundation for the training, development, and implementation of the wish programs of the Foundation, including, but not limited to, the identification of wish candidates and the determination and delivery of the wish.

Public Information

Activities performed by the Foundation communicating the purpose and services of the Foundation to all potential sources of wish referrals.

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Notes to Financial Statements

August 31, 2009

Fund-Raising

Activities performed by the Foundation to generate funds and/or resources to support its programs and operations. During the fiscal year ended August 31, 2009, the Foundation incurred joint costs for activities that include fund-raising appeals (primarily, direct mail campaigns and newsletters), which have been allocated as follows:

Fund-raising	\$	14,379
Public information		<u>100,459</u>
Total	\$	<u><u>114,838</u></u>

The Foundation recorded fund-raising expense for donated media and advertising that promoted donations of frequent flier mileage used to acquire airline tickets for travel wishes.

Management and General

All costs not identifiable with a single program or fund-raising activity, but indispensable to the conduct of such programs and activities and to the Foundation's existence, are included as management and general expenses. This includes expenses for the overall direction of the Foundation, business management, general record-keeping, budgeting, financial reporting, and activities relating to these functions such as salaries, rent, supplies, equipment, and other expenses.

Expenses that benefit more than one function of the Foundation are allocated among the functions based generally on the amount of time spent by employees on each function.

(k) Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**MAKE-A-WISH FOUNDATION® OF ALASKA, MONTANA,
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Notes to Financial Statements

August 31, 2009

(3) Restatement

The Foundation's August 31, 2008 net assets have been restated for the following:

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total net assets</u>
Net assets, as previously reported at August 31, 2008	\$ 2,319,049	662,400	36,648	3,018,097
Reclassification between net asset categories	(1,015,000)	1,015,000	—	—
Total correction to net assets	(1,015,000)	1,015,000	—	—
Net assets, as restated as of August 31, 2008	<u>\$ 1,304,049</u>	<u>1,677,400</u>	<u>36,648</u>	<u>3,018,097</u>

The Foundation restated its net assets as of August 31, 2008 to correct for bequests that were not received until fiscal year 2009. As such, an element of time restriction was present as of August 31, 2008 that should have resulted in a temporarily restricted net asset classification. The above table illustrated the impact of the reclassification of the bequests from unrestricted net assets to temporarily restricted net assets as of August 31, 2008. As a result of the correction, there was no impact to the total changes in net assets for the August 31, 2008 statement of activities.

(4) Cash and Cash Equivalents and Investments

The Foundation adopted SFAS No. 157 on September 1, 2008 for fair value measurements of cash and cash equivalents and investments that are recognized at fair value in the financial statements. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 – quoted prices in active markets for identical investments.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayments speeds, credit risk, etc.).
- Level 3 – significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments).

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Notes to Financial Statements

August 31, 2009

The following table presents fair value measurements at August 31, 2009:

Description	August 31, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	\$ 616,636	616,636	—	—
Investments:				
Cash	\$ 518,502	518,502	—	—
Money market	26,857	26,857	—	—
Mutual funds:				
Domestic equity	937,424	937,424	—	—
International equity	245,231	245,231	—	—
Real estate	55,384	55,384	—	—
Bonds	838,264	838,264	—	—
Certificates of deposit	33,984	—	33,984	—
Total investments	<u>\$ 2,655,646</u>	<u>2,621,662</u>	<u>33,984</u>	<u>—</u>

Total investment income for the year ended August 31, 2009 consists of the following:

Interest and dividend income	\$ 87,214
Realized and unrealized gains (losses), net	<u>(103,530)</u>
Investment loss, net	<u>\$ (16,316)</u>

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Notes to Financial Statements

August 31, 2009

(5) Contributions Receivable

Contributions receivable include pledges that have been discounted at a rate of 7.8%. The following is a summary of the Foundation's contributions receivable at August 31, 2009:

Total amounts due in:	
One year	\$ 819,499
Two to five years	<u>500</u>
Gross contributions receivable	819,999
Less allowance for doubtful accounts	(1,932)
Less discount to present value	<u>(25)</u>
Contributions receivable, net	<u><u>\$ 818,042</u></u>

(6) Transactions with Related Entities

The Foundation pays the National Organization an annual assessment fee, which was \$211,208 for the year ended August 31, 2009. The National Organization supports the Foundation by providing funding and support for the granting of wishes. Such support includes the identification of wish candidates, fund-raising, and facilitating the delivery of wishes.

Chapters who assist with the organization and granting of wishes from other chapters are paid a "fee for service" called the wish assist fee. Under this program, the Foundation received \$9,975 for the year ended August 31, 2009, which is recorded in the accompanying statement of activities as other income.

Amounts due from and to related entities are as follows:

Balance at August 31:	
Due from National Organization	\$ 23,983
Due from other chapters	<u>36,124</u>
	<u>\$ 60,107</u>
Due to other chapters	\$ (6,894)

Amounts due from the National Organization represent contributions remitted to the National Organization that are specified for the Foundation's use but were not yet transferred to the Foundation as of year-end.

Amounts due from or due to other chapters represent wish assist fees and expenses that have been incurred by one chapter on behalf of another chapter to help facilitate a wish but have not yet been reimbursed as of year-end.

During 2009, the Foundation received contributions, both cash and in-kind, from board members totaling \$144,096. Amounts due from board members totaled \$2,000 and are included in contributions receivable in the accompanying statement of financial position.

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Notes to Financial Statements

August 31, 2009

(7) Property and Equipment, Net

Fixed assets as of August 31, 2009 consist of the following:

Computer equipment and software	\$	386,613
Office furniture		100,364
Other equipment		60,885
Leasehold improvements		43,343
		<hr/>
		591,205
Less accumulated depreciation and amortization		<hr/>
		(519,418)
Property and equipment, net	\$	<hr/> <hr/>
		71,787

Depreciation and amortization expense totaled \$34,947 for the year ended August 31, 2009.

(8) Accrued Pending Wish Costs

The Foundation accrues for estimated costs of reportable pending wishes as unconditional promises to give when five certain measurable wish criteria are met. Prior to meeting these five criteria, the wish is considered a conditional promise to give due to the inherent uncertainties surrounding these criteria and is therefore not accrued as a pending wish liability. Reportable pending wish criteria include:

1. Receiving a referral,
2. Obtaining the required medical eligibility form,
3. Contact with the wish family has occurred to determine the prospective wish,
4. Determination that the wish falls within the National Organization's wish granting policy, and
5. The wish is expected to be granted within the next 12 months.

As of August 31, 2009, the Foundation had approximately 198 reportable pending wishes.

(9) Leases

The Foundation is obligated under various capital and operating leases for offices and equipment, which expire at various dates through 2014. As of August 31, 2009, the cost of leased property and equipment under capital lease was \$47,832 and accumulated amortization was \$12,180. Total rent expense for all operating leases for the year ended August 31, 2009 totaled \$136,155.

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Notes to Financial Statements

August 31, 2009

Future minimum lease payments under capital and operating leases having remaining terms in excess of one year are as follows:

	Operating leases	Capital leases
Year ending August 31:		
2010	\$ 108,373	9,906
2011	84,941	9,427
2012	87,482	8,755
2013	90,102	8,617
2014	61,323	1,981
Total minimum lease payments	\$ 432,221	38,686
Less amounts representing interest		3,034
Present value of net minimum lease payments		\$ 35,652

(10) Endowments

Effective September 1, 2008, the Foundation adopted the provisions of FASB Staff Position No. 117-1 (FSP 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Disclosures for All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and also required disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds. As of July 1, 2009, Washington State enacted the provisions of UPMIFA.

The Foundation's endowment consists of two individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Donor-restricted endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Washington UPMIFA as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by

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UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Foundation and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Foundation
7. The investment policies of the Foundation

Endowment net asset composition by type of fund as of August 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ —	—	36,648	36,648
Board-designated endowment funds	1,519,508	—	—	1,519,508
Total funds	<u>\$ 1,519,508</u>	<u>—</u>	<u>36,648</u>	<u>1,556,156</u>

Changes in endowment net assets for the year ended August 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ —	—	36,648	36,648
Transfers to create board-designated endowment funds	1,519,508	—	—	1,519,508
Endowment net assets, end of year	<u>\$ 1,519,508</u>	<u>—</u>	<u>36,648</u>	<u>1,556,156</u>

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Description of amounts classified as permanently restricted net assets (endowment only):

Permanently restricted net assets:

- | | |
|--|-----------|
| (1) The portion of perpetual endowment funds that is required to be retained permanently by either explicit donor stipulation or by UPMIFA | \$ 36,648 |
|--|-----------|

(b) Fund Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets; however, there were no funds with deficiencies as of August 31, 2009.

(c) Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average rate of return of approximately 7% annually. Actual returns in any given year may vary from this amount.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its endowment. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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(11) Temporarily and Permanently Restricted Net Asset

Temporarily restricted net assets are available for the following purposes for the year ended August 31, 2009:

Time restrictions	\$ <u>845,840</u>
Total temporarily restricted net assets	\$ <u><u>845,840</u></u>

For the year ended August 31, 2009, net assets of \$1,666,400 were released from time restrictions.

For the year ended August 31, 2009, permanently restricted net assets are restricted to:

Investments in perpetuity, the income from which is expendable to support wish granting activities of the Foundation	\$ 36,648
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(12) Retirement Plan

The Foundation has a defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after reaching 21 years of age and completion of 1 year of service. Under the provisions of the Plan, eligible employees may elect to defer a percentage of their salary subject to certain Internal Revenue Coded limitations. The Foundation matches employee contributions up to 6% of the employee's salary. Foundation contributions to the Plan for the year ended August 31, 2009 were \$50,417.

(13) Concentrations of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of cash, cash equivalents, and investments. The Foundation places its cash and investments with high credit quality financial institutions and generally limits the amount of credit exposure not to exceed the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000. From time to time throughout the year, the Foundation's cash balances may exceed the amount of the FDIC insurance coverage.

(14) Litigation and Claims

The Foundation is involved in litigation and claims arising in the normal course of operations. In the opinion of management based on consultation with legal counsel, losses, if any, are immaterial; therefore, no provision has been made in the accompanying financial statements for losses, if any, that might result from the ultimate outcome of these matters.

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(15) Subsequent Events

Effective August 31, 2009, the Foundation adopted FASB Statement No. 165, *Subsequent Events*, (SFAS 165), which establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Foundation evaluated subsequent events from August 31, 2009 through March 3, 2010, the date on which the financial statements were issued.